

Message Text

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ACTION AID-59

INFO OCT-01 AF-10 ADP-00 SSO-00 NSCE-00 INRE-00 USIE-00

IO-13 L-03 H-02 CIAE-00 COME-00 EB-11 FRB-02 INR-10

NSAE-00 RSC-01 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 NSC-10 SS-15 STR-08 CEA-02 EUR-25 EA-11 IGA-02

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FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC IMMEDIATE 9063

TREASURY DEPT, WASHDC IMMEDIATE

INFO AMEMBASSY ABIDJAN

C O N F I D E N T I A L LUSAKA 1205

E. O. 11652: GDS

TAGS: XA, EAID, EFIN

SUBJECT: INAUGURAL MEETING OF AFRICAN DEVELOPMENT FUND

DEPT PASS OTHER AFRICAN POSTS AS DESIRED

1. IN CONJUNCTION WITH NINTH ANNUAL MEETING OF THE BOARD OF GOVERNORS OF THE AFRICAN DEVELOPMENT BANK, THE AFRICAN DEVELOPMENT FUND HELD ITS INAUGURAL MEETING IN LUSAKA JULY 2-3. FUND STATUTES REQUIRED RATIFICATION, ACCEPTANCE AND APPROVAL BY AT LEAST EIGHT SIGNATORY STATES WHOSE INITIAL SUBSCRIPTIONS TOTAL AT LEAST 55 MILLION UNITS OF ACCOUNT. THE ENTRY INTO FORCE OF THE STATUTES ON JUNE 30 AND THE INAUGURAL MEETING WAS DUE TO RATIFICATION BY NINE STATES (CANADA, DENMARK, JAPAN, NETHERLANDS, NORWAY, SWEDEN, SWITZERLAND, UNITED KINGDOM, AND YUGOSLAVIA) WITH TOTAL SUBSCRIPTIONS OF 59,211,420 DOLLARS. THE STATE PARTICIPANTS ELECTED SIX DIRECTORS AND SIX WERE NAMED BY THE BANK. PRESIDENT LABIDI IS EX OFFICIO PRESIDENT OF THE FUND WITH CANADA AND MAURITANIA AS VICE CHAIRMEN. THE GOVERNORS ADOPTED INTERNAL RULES OF

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PROCEDURE WITH NO DIFFICULTY. HOWEVER, THE MAIN FEATURE OF THE MEETING WAS A FOUR- HOUR DEBATE ON FUND LOAN POLICY.

2. DEBATE WAS SPARKED BY PRESIDENT LABIDI' S INTRODUCTION OF LOAN POLICY PAPER DRAFTED BY PREPARATORY GROUP AT ABIDJAN IN APRIL. LABIDI SAID THE PAPER HAD NO JURIDICAL VALUE BUT WAS A STATEMENT OF INTENTION. THE FUND WOULD BE GUIDED BY ANY RESOLUTION AND BY OBSERVATIONS OF THE GOVERNORS.

3. A STRONG AND EMOTIONAL ATTACK ON THE PAPER WAS LED BY MINISTER KIBAKI (KENYA) WITH SUPPORT FROM NUMEROUS DELEGATES, PRINCIPALLY CONGO, BOTSWANA, ZAMBIA, UGANDA, AND CAMEROUN. CRITICISM CENTERED ON IMPLICATION THAT FUND LOANS WOULD BE RESERVED FOR THE POORER COUNTRIES. CONCERN WAS EXPRESSED THAT THE UNITED AFRICAN FRONT IN IDA AGAINST THE USE OF PER CAPITA GNP AS THE MAIN CRITERION FOR LOAN ELIGIBILITY WOULD BE UNDERMINED. FEARS WERE EXPRESSED THAT NON- AFRICAN STATE WOULD BE SETTING THE POLICY, WHEREAS THE AFRICAN VOICE WOULD HAVE TO BE THE PREPONDERANT WEIGHT TO ENSURE THAT ALL AFRICAN STATES WOULD BE ELIGIBLE FOR LOANS. THE FUND MIGHT EVEN TAKE OVER THE BANK IF MATTERS NOT TAKEN IN HAND. AS A CONSENSUS APPEARED TO BE DEVELOPING FOR REJECTION OF THE PAPER OR FOR IT TO BE REDRAFTED BY A COMMITTEE, THE SOMALI DELEGATE SUGGESTED THE GOVERNORS HAD GONE TOO FAR. THEY WERE ENDANGERING INAUGURATION OF FUND OPERATIONS ON AUGUST1. HE RECOGNIZED SOME VALIDITY IN IDA POLICIES AND REFERRED TO THE SPECIAL PROBLEMS OF THE LANDLOCKED COUNTRIES. HE THOUGHT IT WOULD BE DIFFICULT TO HAVE A POLICY WITHOUT AMBIGUITY IN A SOFT LOAN INSTITUTION. HE SUGGESTED THE GOVERNORS SHOULD HAVE CONFIDENCE IN THE BOARD OF DIRECTORS AND REVIEW MATTERS NEXT YEAR. THIS WAS A TURNING POINT IN THE DISCUSSION. ALTHOUGH ZAIRE WANTED ALL FUND PROJECTS TO PASS THROUGH THE BANK AND MAURITANIA SUGGESTED SUBSTANTIAL REVISION OF THE TEXT, THE TANZANIAN REPRESENTATIVE FELT THE GOVERNORS WERE CREATING UNNECESSARY PROBLEMS. HE THOUGHT THE POLICY PAPER ACCURATELY REFLECTED THE STATUTES AND THOUGHT IT COULD BE REVISED IN LIGHT OF EXPERIENCE. IT BECAME INCREASINGLY CLEAR TO MOST OF THE GOVERNORS THAT THEY MIGHT ENDANGER THE BEGINNING OF FUND OPERATIONS. IT WAS EVEN IMPLIED THAT PROBLEMS MIGHT BE CREATED IN RAISING ADDITIONAL

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CAPITAL, BUT THE CHAIRMAN, ZAMBIAN FINANCE MINISTER MWANAKATWE, JOINED THE DEBATE ASSERTING THAT THOSE WHO WISH TO AID AFRICA MUST DO SO ON AFRICA' S TERMS. NORWAY AND THE UK SPOKE FOR THE STATE PARTICIPANTS WITH EMPHASIS ON THE SCARCITY OF RESOURCES AND THE NEED FOR DISCRETION BY THE BOARD. FINALLY PRESIDENT LABIDI PROMISED OBSERVANCE OF THE PRINCIPLE OF EQUALITY WHICH ALSO APPLIES TO BANK LOANS.

HE POINTED OUT THAT NOT ALL COUNTRIES HAD YET BEEN ABLE TO BENEFIT FROM BANK LOANS AND THOUGHT THE FUND SHOULD GIVE PRIORITY ATTENTION TO THE DROUGHT- STRICKEN SAHEL STATES WITH WHOM THE GOVERNORS HAD EXPRESSED SO MUCH SYMPATHY. THE DEBATE WAS CLOSED AND THE GOVERNORS THEN ADOPTED A RESOLUTION OFFERED BY CAMEROUN WHICH CALLS ON THE FUND'S BOARD OF DIRECTORS TO PREPARE AND SUBMIT TO THE NEXT ANNUAL MEETING A NEW LOAN POLICY PAPER AND MEANWHILE BE GUIDED BY THE PROVISIONS OF ARTICLE 14 OF THE STATUTES. THE INAUGURAL MEETING ENDED ON THIS CONCILIATORY NOTE. FOR THE CONVENIENCE OF READERS ARTICLE 14 STATES:

4. QUOTE: THE FUND SHALL PROVIDE FINANCING FOR PROJECTS AND PROGRAMMES TO FURTHER ECONOMIC AND SOCIAL DEVELOPMENT IN THE TERRITORY OF MEMBERS. THE FUND SHALL PROVIDE SUCH FINANCING FOR THE BENEFIT OF THOSE MEMBERS WHOSE ECONOMIC SITUATION AND PROSPECTS REQUIRE SUCH FINANCING TO BE ON CONCESSIONAL TERMS. FINANCING PROVIDED BY THE FUND SHALL BE FOR PURPOSES WHICH IN THE OPINION OF THE FUND ARE OF HIGH DEVELOPMENTAL PRIORITY IN THE LIGHT OF THE NEEDS OF THE AREA OR AREAS CONCERNED AND SHALL, EXCEPT IN SPECIAL CIRCUMSTANCES, BE FOR SPECIFIC PROJECTS OR GROUPS OF PROJECTS, PARTICULARLY THOSE FORMING PART OF A NATIONAL OR REGIONAL OR SUB- REGIONAL PROGRAMME, INCLUDING PROVISION OF FINANCING FOR NATIONAL DEVELOPMENT BANKS OR OTHER SUITABLE INSTITUTIONS FOR LENDING FOR SPECIFIC PROJECTS APPROVED BY THE FUND. UNQUOTE. WILKOWSKI

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